

**HOUSING AND REDEVELOPMENT AUTHORITY
CITY OF RAMSEY
ANOKA COUNTY
STATE OF MINNESOTA**

The Housing and Redevelopment Authority conducted a Work Session on Monday, February 6, 2012, in the Lake Itasca Room at the Ramsey Municipal Center, 7550 Sunwood Drive NW, Ramsey, Minnesota.

Members Present: Chairperson Colin McGlone
 Commissioner Randy Backous
 Commissioner David Elvig
 Commissioner Sarah Strommen
 Commissioner Jason Tossey
 Commissioner Jeffrey Wise

Members Absent: Commissioner Bob Ramsey

Also Present: HRA Executive Director Heidi A. Nelson
 City Administrator Kurtis G. Ulrich
 Public Works Director Brian Olson
 City Attorney William K. Goodrich
 Development Manager Darren Lazan

CALL TO ORDER

Chairperson McGlone called the Work Session of the Housing and Redevelopment Authority to order at 7:56 p.m. He noted that Case #3 would be discussed prior to Case #1.

TOPICS FOR DISCUSSION

**Case #3: Consider Process for Acquisition of Parcel at the Southwest Corner of
 Armstrong and 146th**

City Attorney Goodrich noted that Commissioner Wise left the meeting room at 7:57 p.m. for this discussion.

HRA Executive Director Nelson reported that the HRA has directed and authorized the Development Team to approach three property owners on the west side of Armstrong Boulevard to discuss acquisition of their properties as part of the Armstrong Interchange and Sunwood Drive realignment projects. An exhibit was presented highlighting the three properties. These properties, along with the Oasis market site that was acquired previously, represent the majority of the right-of-way north of Highway #10 necessary to construct the above-mentioned projects. She noted that one of the parcels is owned by Councilmember Jeff Wise. She continued that appraisal valuations have been determined and we are in the process of approaching the three owners with offers to purchase either the entire property, or the portions necessary to construct

Armstrong. Ms. Nelson continued that the evaluation method used to assess the two northerly parcels was based on their value as raw land, which was the highest value as determined by the appraiser. She noted that the parcels do have structures on them and one is an operating business, but the value of the land as a development opportunity exceeds that of the structures of business. However, the appraiser determined that the highest value for Mr. Wise's property is in the current structure and business. This makes the negotiations on this parcel a broader discussion than the other two parcels. She pointed out that a third component of Mr. Wise's property would be the cost of relocation, fixtures, etc. The valuation of the building and land were determined by the appraisal and there is likely little room to negotiate that amount. State Statute governs the amount a City can pay for acquisition relative to an appraisal, and the values considered are in a range acceptable not only to the seller, but similar to those contemplated for the sale of land to Mr. Wise for his proposed project in The COR. She noted that it is likely that the valuation agreed to for the acquisition of his parcel will be the same as that used for the sale of property in the COR.

Development Manager Lazan reported that we are opting to do this under the assumption that the HRA is leading this.

Commissioner Elvig inquired why the HRA as opposed to the Council.

Mr. Lazan stated that someone needs to take the lead. The HRA is the most motivated to get it done.

City Administrator Ulrich added that with the redevelopment component of this – future development – this is a classic HRA role.

Commissioner Elvig asked if we are looking for grants for this project.

HRA Executive Director Nelson responded that for the broader part of the project, we are not pursuing a grant.

Commissioner Elvig argued that when it comes to roadways, it would typically be a function of the City Council. If you are saying it is for redevelopment, then we should look at redevelopment grants. He added he is just trying to understand why we are going about it this way. If you are saying it is for redevelopment, he noted he does not see that as part of the case.

Ms. Nelson stated it is a little premature to pursue redevelopment grant money on the west side, as there is a lot to be done there. This is the first step – acquisition of these parcels for the road – then the remnant land.

Mr. Lazan stated that there is a mix of roadway and potential development and someone has to take the lead. The second thought is we have approached these three together – it's a good time for a buyer. We did get preliminary numbers back from the appraiser and we have approached these property owners. We looked at these three but tonight we want to discuss the parcel owned by Mr. Wise - approaching that one is a little more complex.

City Attorney Goodrich reported that staff talked about whether this should be the HRA or the City Council. This same discussion will take place at a City Council meeting as well. The northern parcel is owned by a woman in Iowa. The owner has expressed a concern about the City taking the property but he (Goodrich) feels she will be a reasonable seller. The second parcel is owned by what he believes is a reasonable seller too. One piece of his acquisition will be relocation. The third parcel is the current Wisser Choice Liquors. Mr. Wise is a willing seller and we have some potential with him purchasing another parcel in The COR. Mr. Wise is on the Council and is very much a participant in this project so the perception of a conflict of interest is a big issue and we need to talk about that. The big thing to remember is we have gotten an independent appraisal. Their job is not to represent a client. The amounts they come up with are the amounts we will be offering. He noted there is always some give and take. He stated he, along with Heidi Nelson and Darren Lazan, would be presenting that to Jeff Wise. Mr. Goodrich noted because of Mr. Wise's position on the City Council, there could very well be a perception of conflict of interest and that needs to be taken very seriously. He asked for conversation now with the HRA relating to any concerns about that.

Development Manager Lazan stated that what Mr. Wise's parcel sells for and what he buys a new parcel for will likely be "dirt for dirt" – a kind of equalizing.

Mr. Goodrich continued that there will be two other professionals involved in this, such as Dan Wilson for the relocation portion of it. We will need to get a fixture appraiser too. He noted that since 2006, when we did the eminent domain, the legislature has changed. He stated the new legislature relates to minimum compensation when a property owner is forced to relocate. This law basically requires that, notwithstanding the land/building appraisal amount, the damages paid must compensate the owner with an amount sufficient for the owner to purchase a comparable property in the community. This is a complex statute requirement and there is little guidance. He stated this compensation complicates our issue with this project.

Commissioner Tossey stated he did not think we should be talking about this on a Monday night. Mr. Goodrich has laid out some very compelling points on conflict of interest and he wanted the public to see that.

Mr. Goodrich assured Commissioner Tossey the public would.

Commissioner Tossey continued that he is worried about this not being the normal Tuesday meeting night and that this meeting/discussion is not on camera. He cautioned we need to be very delicate with this.

Attorney Goodrich stated that we have some hesitation about whose acquiring land – the HRA or the City Council. Maybe the HRA for the redevelopment and the City for the right-of-way. Therefore, this discussion will take place at both HRA and City Council.

Chairperson McGlone repeated that when it comes to the regular meeting, the discussion will be on camera.

Commissioner Tossey reiterated this is very delicate and he wants it to happen but he wants to be very transparent.

Chairperson McGlone asked about the time element.

Development Manager Lazan stated we are entering the third week of the four weeks we said we would negotiate – not that we can't change that schedule.

Commissioner Backous expressed agreement with Commissioner Tossey that we need to be very transparent with this. We do not want to treat Mr. Wise any differently than anyone else. If we are doing this to lay out this roadway, we need to be ready with answers.

Mr. Lazan responded that road is done.

Commissioner Backous stated we need to be able to answer questions about price per square foot and explain it all on camera. He did not want anyone to have any questions about if Mr. Wise is being treated better or worse than normal.

Commissioner Strommen also expressed agreement with Commissioner Tossey's transparency statement. We can have some conversation in here but this discussion needs to happen on camera for both the HRA and the City Council. We should have had this discussion at the last HRA meeting on camera. Maybe we have to flex our schedule a little bit. She did not want to tell the public we did this now because of a time crunch. She stated that when they do appraisals for the State, they get three appraisals plus a technical review.

Chairperson McGlone suggested that the seller still has the right to get an appraisal on his own – that the City pays for.

Attorney Goodrich responded that the City would not have to pay for the entire appraisal – it is up to \$500.

Mr. Lazan suggested that maybe if the buyer chooses not to get his or her own appraisal, then we can have a technical review.

Commissioner Strommen stated she would prefer a technical review be done.

Commissioner Tossey stated this is not an attempt to delay. He added that he had a neighbor approach him on this subject. Commissioner Tossey suggested to just do this all out in the open – then we can just say, "Look at TV".

Commissioner Elvig did not understand the urgency and stated his concern was transparency as well.

Mr. Lazan stated that internally, we questioned this process. The urgency is driven by Sunwood Drive. We need this piece of property (referring to the map). We could do it on one but we

wanted to measure willing sellers and come to the HRA with all three parcels and reiterated that the urgency is driven by the Sunwood realignment schedule.

HRA Executive Director Nelson stated that we backed into a construction schedule – spring construction – and she did not think anyone times out in two weeks – but we are backing into a timeline to get to construction.

Commissioner Elvig stated that people will have some angst.

Chairperson McGlone stated this is about a bridge realignment . . . it's not about Jeff Wise.

Commissioner Tossey agreed it is a bigger issue.

Commissioner Elvig stated he is not here to argue the project, but we need to build a case showing we will do a prudent job.

Commissioner Backous commented that we all agree on that. The point is, we are dealing with a separate project and asked to be shown on the map the existing areas already acquired.

Chairperson McGlone stated that the City Council had hired him (McGlone) to do abatement and roof work. He had to enter a bidding process and he had no more information than anyone else bidding. He could not be in the room when it was discussed and all the other Councilmembers had to decide if he was the best bidder and award it to him. He did not view this issue as that much different.

Attorney Goodrich responded that this is a little different – that's a contract issue – this is more of an ethical responsibility with the three of us – meaning Goodrich, Nelson and Lazan.

Commissioner Elvig inquired if Mr. Goodrich would be more comfortable if someone outside the City handled this acquisition.

Mr. Goodrich didn't see where that would make a difference as he, along with Nelson and Lazan would be directing that person anyway. Having that independent appraisal is as indisputable as we can get. We would only go by what the appraisal says. He reiterated there is assurance with having an independent appraisal and he wanted to make sure everyone is okay with that.

Development Manager Lazan stated that we proceed on the land and building valuation. We feel the appraisal is in line with where we believe neighboring appraisals are and we will have equalization in land for land. "Outside the box" is the business valuations. That's where we will bring in someone from the outside; we will handle the land and the building.

City Administrator Ulrich stated that this has come back to the City Council and HRA. If we can get these objective appraisals, along with the other appraisals, we will have them to bring back and have these conflict of interest discussions at these other meetings.

Commissioner Backous inquired how we are handling evaluation on this side of The COR. That will be a question by the public too.

Mr. Lazan talked about the equalizer with regard to the land and stated the previous appraisal numbers will be brought to the HRA and City Council as well.

Commissioner Backous noted we will have to work on narrowing our numbers down.

Chairperson McGlone inquired at what point the numbers go public.

Attorney Goodrich stated that a closed meeting will be held to talk about the numbers. If the HRA/City Council agrees with these numbers and you direct that we enter into a purchase agreement – then they become public.

Chairperson McGlone asked if we will be able to get the numbers public in the manner City Council wants to. We do not want too much going on to be perceived as behind the scenes.

Commissioner Strommen felt that we need to let people know about the process as well – and then the numbers. We need to be transparent all the way.

Commissioner Elvig stated it is land for land – we are not just trying to embellish one to match the other.

Development Manager Lazan stated that without laying out the numbers for the Commission, they are remarkably close.

HRA Executive Director Nelson recommended that if there is a consensus to get the review and appraisal, we can do that and come back on February 14. We could get authorization to do the appraisal and have the discussion of the process on camera on February 28.

City Administrator Ulrich stated that a resolution could be done for the HRA to adopt and for the City Council to adopt that establishes there is potential for conflict of interest and to list the process and that that resolution is separate and distinct from the offer. For example, we recognize a potential for a conflict of interest, this is how we will go through the process to assure there is no conflict of interest, etc.

Mr. Goodrich stated that he is confident we will not have a conflict of interest but our challenge is to show we do not have the appearance of a conflict of interest.

Consensus of the HRA was to do the appraisal and technical review and bring it back to the HRA and City Council on February 14, with a resolution on that one parcel.

Commissioner Backous stated we have to be so careful to ensure that all three parcel owners are treated the same.

Chairperson McGlone stated that everyone has the choice of getting their own appraisal, which we have to pay up to \$5000 for, and if they do not do it, they waive that right.

Mr. Goodrich added that three appraisals are the same person. If we do a review appraisal for Wise and it shows a defect, we will pick that up on the other two as well.

Commissioner Strommen stated that it will all be done by the same appraiser so we will get a benefit of having someone review the methodology. It's a check and balance – and assurance of the appraisal method.

City Administrator Ulrich agreed that review of the appraisal is a good check, especially if there is the possibility of the perception for a conflict of interest. The cost for the review is about \$500 to \$700, which is a fraction of the cost of the appraisal – so it is worth the investment.

Discussion ensued relating to having a review of appraisals that are done on The COR property. Commissioner Backous stated that we need to protect ourselves. Mr. Lazan responded that we can order the appraisals on a case by case basis. A comment was made that it could be said that we are adjusting the amounts so the purchase from Wise and the purchase made by Wise are equal.

HRA Executive Director Nelson stated that the appraisal on Mr. Wise's property is setting the value.

Mr. Lazan stated that it is a per foot equation.

Commissioner Backous stated that "x" number of dollars per square foot is a subjective number and he has a concern with that.

Mr. Ulrich suggested that Mr. Wise's bank will require the appraisal. If we are trading this land, we need an objective review of this land's worth.

Commissioner Elvig stated that we are setting the bar for what the value is. He felt that the comps will be much higher on this side.

Chairperson McGlone stated that we struggle with what the land is worth. If we got a deal for "x" number of dollars and we can live with that – then who cares.

Commissioner Backous expressed agreement. He stated he is strictly worried about the perception of conflict of interest and how we protect ourselves. He suggested simplifying the process.

Commissioner Tossey stated that he thought this was the whole point of selling to Osborne; we would not have to deal with this at all. He added he is increasingly more uncomfortable with this proceeding.

Commissioner Elvig stated that we are proceeding as if that deal with Osborne will not take place – it still can – but we cannot stop what we are doing to see if it does. The appraisal has to be done or the roadway work will not happen. He added that we have a great history of the prior appraisals to compare the current appraisals to.

Attorney Goodrich advised that we need to get our appraisals into book form to have a technical review.

2. Consider Proposed Restrictive Covenants on HRA Owned Parcels in The COR

HRA Executive Director Nelson stated that often in developments like The COR, there is a list of uses/users that would be detrimental to the project's vision and character. This varies from project to project, but there are certain uses commonly referred to as "the dirty dozen". She listed the following uses for consideration: a bar or tavern, except in connection with a primary use as a restaurant, an outdoor amusement park or center, (excluding a public community center), a carnival (excluding annual or special events sponsored or run by the City), a disco or other dance hall (excluding a restaurant or bar restaurant with incidental dancing, a funeral parlor/home, a flea market, a massage parlor other than medical facilities and facilities offering spa and massage services and related items and services that is similar in operation to a "Massage Envy", a warehouse or processing or rendering plant, a manufacturing or industrial facility, an establishment selling new or used cars, trailer or mobile homes, the sale or display of pornographic or "adult" materials including but not limited to adult risqué or gag items, pornographic or "adult" live entertainment, or a store selling medicinal marijuana (whether consisting of live plants, seeds, or processed or harvested portions of the marijuana plant) or drug paraphernalia. She noted we can amend the list, but wondered how the HRA felt about the concept.

Chairperson McGlone wanted the list shortened. He felt that we need to get the bar/tavern figured out.

Commissioner Backous asked how often prohibiting pornographic material is challenged. All of these can be challenged in court. He noted that people who buy property here may not want this list in the covenant and wondered if it would make the property less marketable.

Ms. Nelson responded that we have zoning provisions and you cannot zone certain businesses out – you have to have areas within the City where they can locate these types of businesses. We cannot preclude them but we can regulate where they can be.

Development Manager Lazan reported that the industry seems to recognize this dirty dozen so he did not think this will make us less marketable.

Commissioner Elvig agreed that this is fairly common and most landowners appreciate it. He expressed concern about the outdoor amusement part. Maybe we should have some different wording on that as we are trying to promote outdoor things for this area.

The HRA agreed that the bar/tavern and the amusement park portions should be looked at.

Commissioner Strommen cautioned the use of terms like “similar to Massage Envy”.

Ms. Nelson stated that she will come back to the HRA with a final form.

3. Consider Restrictive Covenants for the On-Site Sale of Motor Fuels Associated with the Sale of Property at Sunwood and Armstrong Boulevard

HRA Executive Director Nelson stated that the Development Team has been working with potential buyers of parcels at both Sunwood Drive and Ramsey Boulevard and Sunwood Drive and Armstrong Boulevard for the development and operation of gas/convenience stores. They have asked for consideration of an agreement of exclusivity covering all remaining HRA property if the buyer were to close on both sites and as long as they maintained operation of both sites as a gas/convenience store. Ms. Nelson stated she would like the HRA to consider answers to these two questions: Would the HRA consider this exclusivity over all remaining HRA property if the terms proposed by the buyer were met and does this meet the current and long-term vision of the project. She added that the exclusivity would essentially prevent any additional uses of this type from coming forward in the future and sets the number and locations of this use with the project. She continued that if the Development Team was successful in narrowing the scope of the exclusion to the east and west ends of the project, it would only free the center of the project from an exclusion, and that would likely be considered the least desirable location in the current vision for the project. Ms. Nelson pointed out that the restriction/exclusive currently requested by the buyer has been drafted as an exclusive for “the on-site sale of motor fuels”. Other fuels may be sold such as cylinder exchanges, camping fuels, etc., and would not exclude retailers over 50,000 square feet that sell fuel as an accessory use, such as Costco, etc. Therefore, this would not preclude gas as an accessory use.

Development Manager Lazan stated that the Development Team will have discussion with the buyer along the way. Our first inclination is to get that done and include as small an area as possible. He asked if the HRA wants to keep their options open, the team will go back and negotiate a smaller area.

Commissioner Wise stated that there is already a track record of quite a few of these developments. He stated he is a fan of giving some exclusivities but felt it should be based on population or something like that.

Chairperson McGlone stated that the buyer is hoping for exclusivity within Ramsey and Armstrong Boulevards, inside The COR – and only on HRA owned land. He felt that by granting that, we would not be really prohibiting development or getting in the way of other businesses. It’s a negotiating factor and he was excited about being able to sell two lots at once.

Commissioner Elvig stated he is not really in favor of agreeing to their conditions without getting something in return – like the bank that paid another \$500,000 for that condition. We have enough controls through the Conditional Use Permit process.

Mr. Lazan stated that is your role as a City – you have controls with conditions. The other role you have is the assurance you give to the buyer. He added that they are paying more per foot than the previous offer – and proposing twice the amount of square footage.

Commissioner Elvig stated that he is just suggesting it's an opportunity to get something for it.

Chairperson McGlone stated that if we get 10 cents and we sell twice the property in one deal, he is open to it. We are not excluding gasoline sales – it is still allowed as an accessory, etc. and he agrees with that.

Commissioner Strommen suggested having conversations about tools we want to use for negotiating. She stated she is not interested in having more gas stations in the middle of The COR. If this user goes out of business, it will allow another user in.

Development Manager Lazan stated that they do not get the exclusivity deal until they get both sites built and this agreement is only with Kwik Trip.

Commissioner Backous stated this would get it on the tax rolls, get it off our backs, and better deals will come the more we get built up. He expressed his support for it.

Commissioner Tossey stated he, too, is fine with it.

Consensus of the HRA was to finalize an exclusive agreement for Kwik Trip for motor fuels.

EXECUTIVE DIRECTOR'S REPORT

HRA Executive Director Nelson reported that at the February 14 HRA meeting, she will have a case for the acquisition of property on the west side of Armstrong and a Master Declaration Resolution for review and adoption. She added that Tom Bray would be present.

Development Manager Lazan reported on Toti. There have been discussions in the last week – they are aware we need to resolve this in short order or bring the property back on the market. They will close with a note back or a fairly steep, non-refundable extension fee. They prefer to close and do a note back. Mr. Lazan stated he hoped to have that on the agenda for next Tuesday as well. Mr. Lazan stated that with regard to Flaherty and Collins, we are down to the “last of the last” issues. They are on schedule and the bonding component will come forward in late February.

HRA Executive Director Nelson stated that the Ramsey Rail Station groundbreaking is tentatively scheduled for late afternoon, Tuesday, March 27. She will provide details as they become available.

COMMISSIONER INPUT

Commissioner Wise inquired if there have been any more discussions with the Solomon property.

Development Manager Lazan replied that Ryan Cronk is in town this week and a number of discussions have been set up. We will be meeting with them tomorrow.

City Administrator Ulrich announced that Metropolitan Council Representative Reynoso would be in town on Monday, February 13, and a 9:00 a.m. meeting has been scheduled with him. Discussions will include the Armstrong Interchange and the Ramsey Rail Station groundbreaking.

ADJOURNMENT

Motion by Commissioner Tossey, seconded by Commissioner Wise to adjourn the Work Session meeting of the Housing and Redevelopment Authority.

Motion carried. All present in favor.

The Work Session meeting of the Housing and Redevelopment Authority adjourned at 9:23 p.m.

Respectfully submitted,

Heidi A. Nelson
HRA Executive Director

ATTEST:

Jo Ann M. Thieling
City Clerk

Drafted by Jo Thieling, City Clerk, City of Ramsey